

12 Sep 2018
SB 40/2018(R)

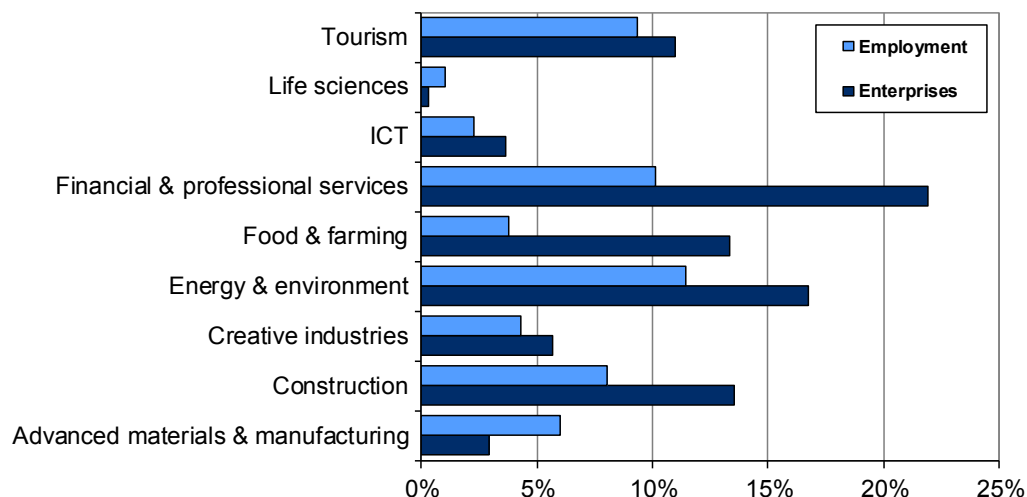
Priority Sector Statistics, 2018 - Revised

The Welsh Government supports industry-led investment in nine key sectors, known as the [priority sectors](#). Priority sector statistics are based on data that are available at the required level of detail. Specifically, at 4-digit Standard Industrial Classification (SIC) level. Historical data are available on a comparable basis in the spreadsheets accompanying this release.

Key points

- 68 per cent of VAT or PAYE registered enterprises were in a priority sector in 2017.
- The priority sectors accounted for 45 per cent of employment in Wales in 2017.
- In 2016, the rate of new businesses for the priority sectors was above that of the non-priority sectors (12.4 per cent vs. 10.7 per cent).
- Full-time gross median weekly earnings for employees in the priority sectors were slightly higher than those in non-priority sectors in 2017 (£502 vs. £495).

Chart 1: Employment and registered enterprises in Wales by priority sector as a proportion of the Welsh economy, 2017(1)



Source: Welsh Government analysis of IDBR and the APS, ONS

1) There is overlap between the sectors, with some industry codes appearing in multiple sectors.

About this bulletin

This report has been updated on 12 September 2018 to include new data for Gross Value Added (GVA) from the Annual Business Survey.

These statistics are published to assist the priority sector panels, sector teams and the wider public by providing information on the priority sectors and to outline what official statistics are currently available.

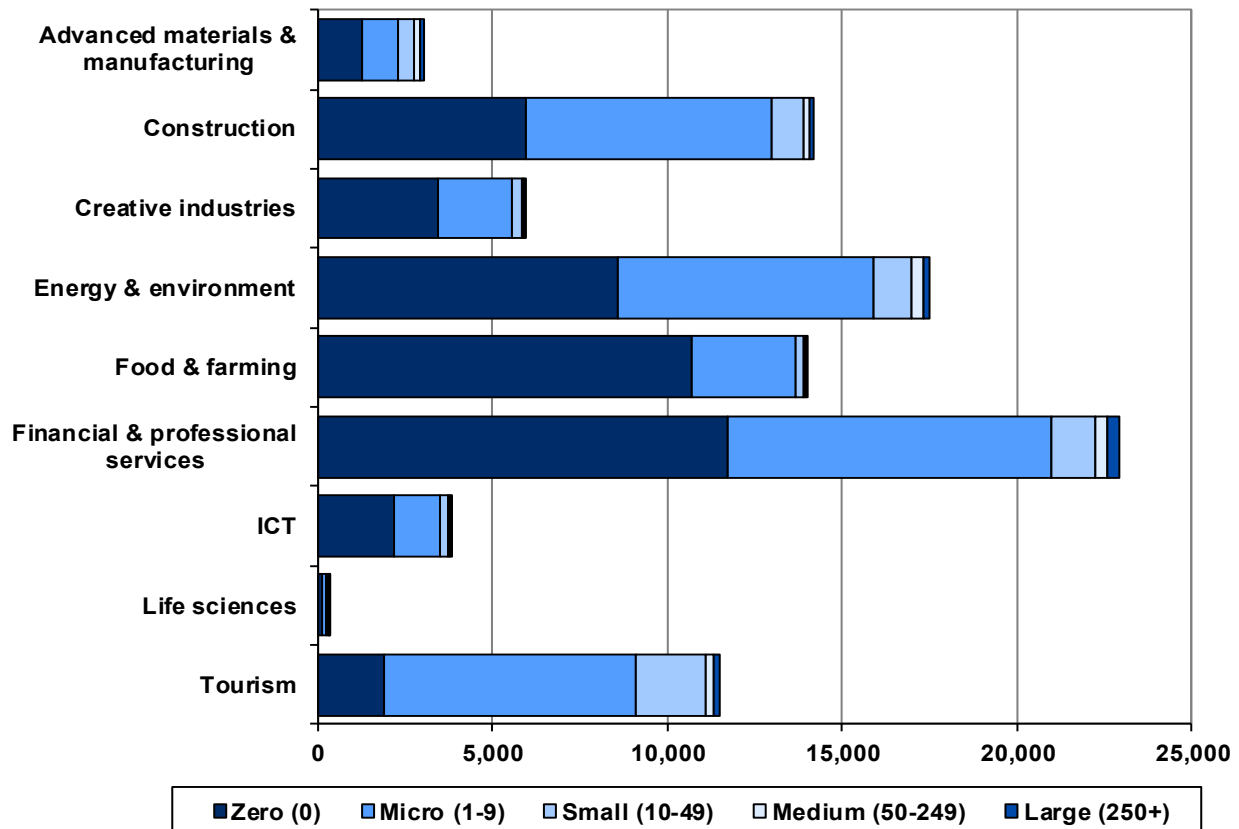
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Section 1: Enterprises

This section uses information on enterprises, taken from the Inter-Departmental Business Register (IDBR). An enterprise is the smallest combination of legal units (generally based on VAT and/or PAYE records) which has a certain degree of autonomy within a group of legal units under common ownership, called an enterprise group.

Chart 2: Number of registered enterprises by size-band in Wales, 2017
(Note: size band refers to the number of employees)

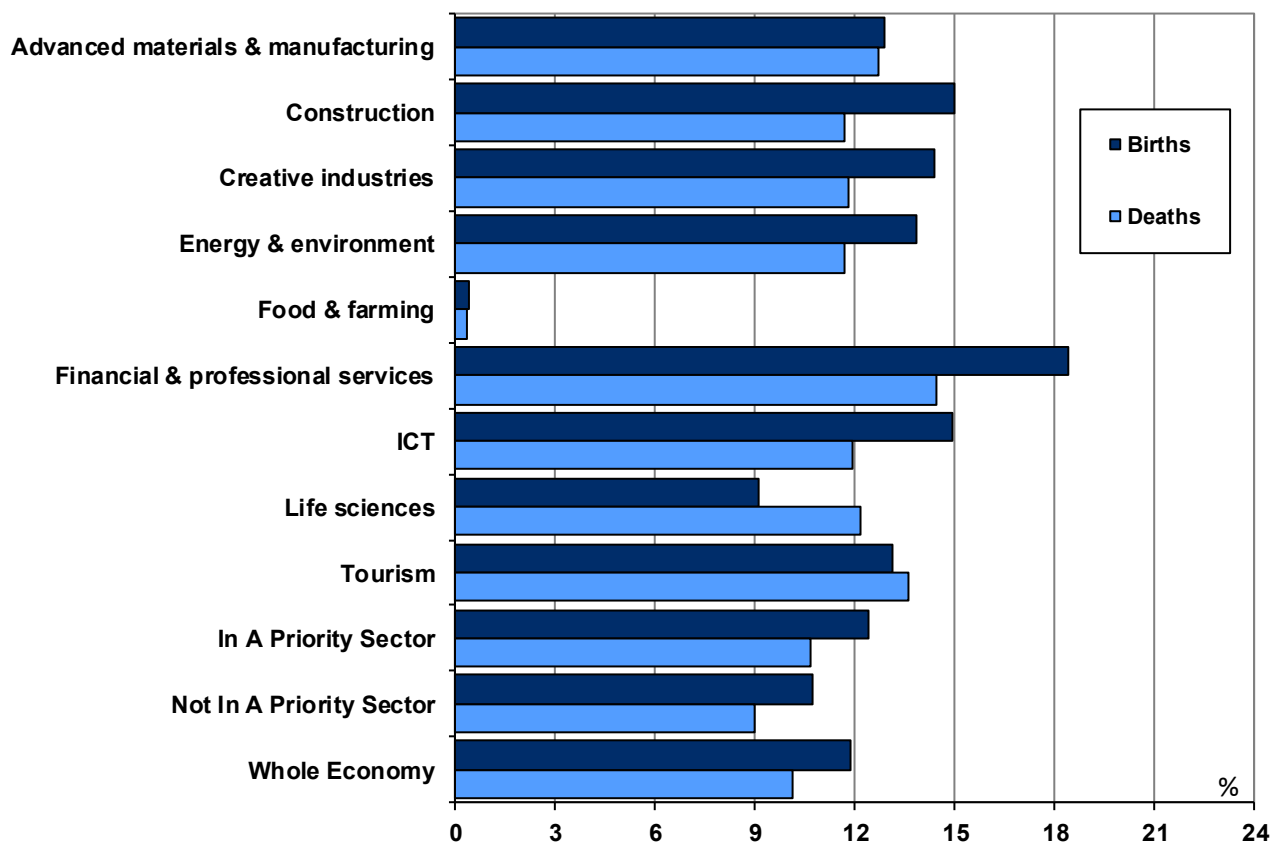


Source: Welsh Government analysis of Inter-Departmental Business Register (IDBR), ONS

In 2017

- 68% of VAT or PAYE registered enterprises in Wales were in a priority sector. The largest sector in terms of registered enterprises was Financial & Professional Services (22,920) and the smallest sector was Life Sciences (330).
- The Food & Farming sector had the greatest proportion of businesses in the zero employee category (77 per cent), whilst Tourism had the smallest (16 per cent). This compares with 42 per cent for the whole economy.
- The sector with the greatest proportion of small and medium enterprises (SMEs, those with less than 250 employees) was the Food & Farming sector with almost all registered enterprises having fewer than 250 employees. The sector with the smallest proportion of SMEs was Life Sciences (95 per cent).

Chart 3: New businesses and business closure rates, Wales, 2016



Source: Welsh Government analysis of Business Demography, Inter-Departmental Business Register (IDBR), ONS

Note: Rates calculated using the number of business enterprises from the IDBR.

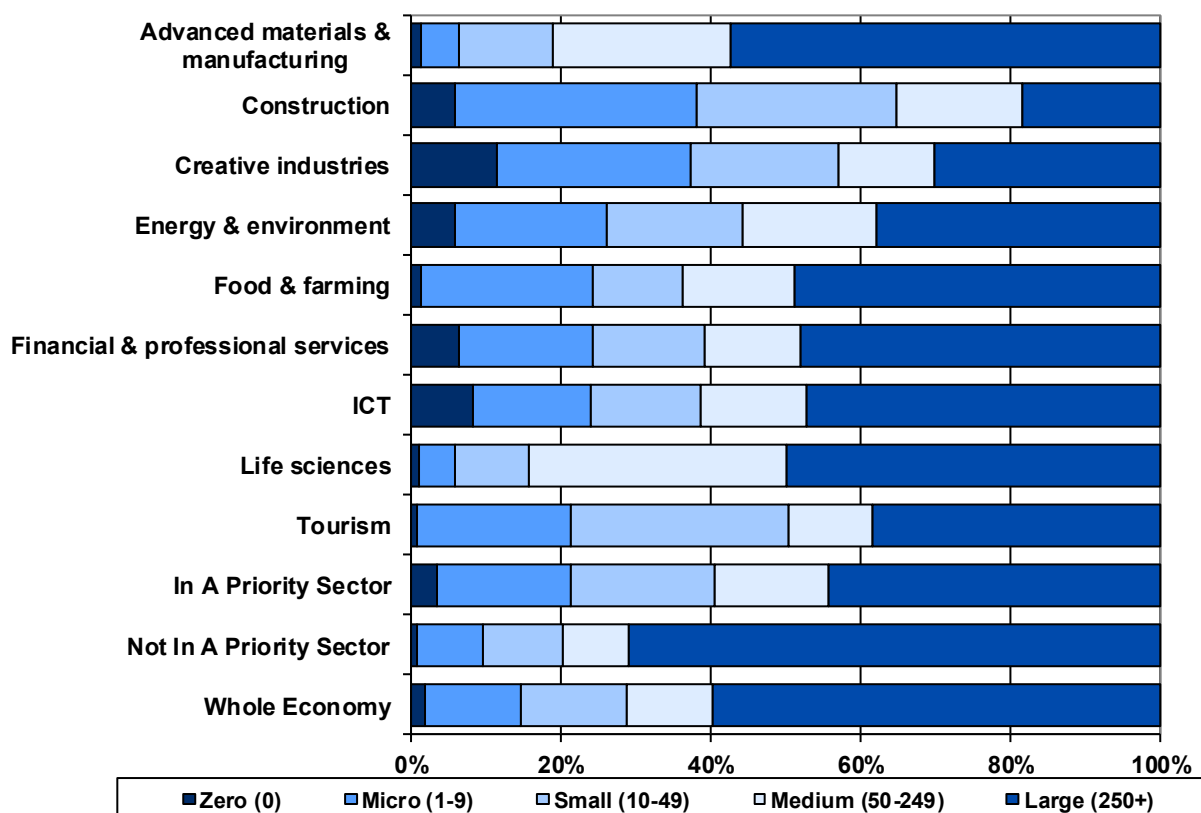
In 2016

- The rate of new businesses for the priority sectors was higher than that of the non-priority sectors (12.4 per cent vs. 10.7 per cent).
- The priority sector with the highest rate of new businesses was the Financial & Professional Services sector (18.4 per cent), whilst the lowest was in the Food & Farming sector (0.4 per cent – *however, agriculture is not covered by the business demography statistics*). The rate of new businesses for the whole economy in Wales was 11.9 per cent.
- The business closure rate for the priority sectors was higher than that of the non-priority sectors (10.7 per cent vs. 9.0 per cent).
- The priority sector with the highest business closure rate was the Financial & Professional Services sector (14.4 per cent) whilst the lowest was the Food & Farming sector (0.3 per cent – *however agriculture is not covered by the business demography statistics*). The rate of business closures for Wales as a whole was 10.1 per cent.

Section 2: Employee jobs

This section contains data on employee jobs. Employee jobs are defined as those that are directly paid from the payroll, in return for carrying out a job or being on a training scheme. The preferred source for employee data by industry is the Business Register and Employment Survey (BRES). When considering employees by business size, the Inter-Departmental Business Register (IDBR) is the most suitable source.

Chart 4: Proportion of employees in registered enterprises by size-band in Wales, 2017



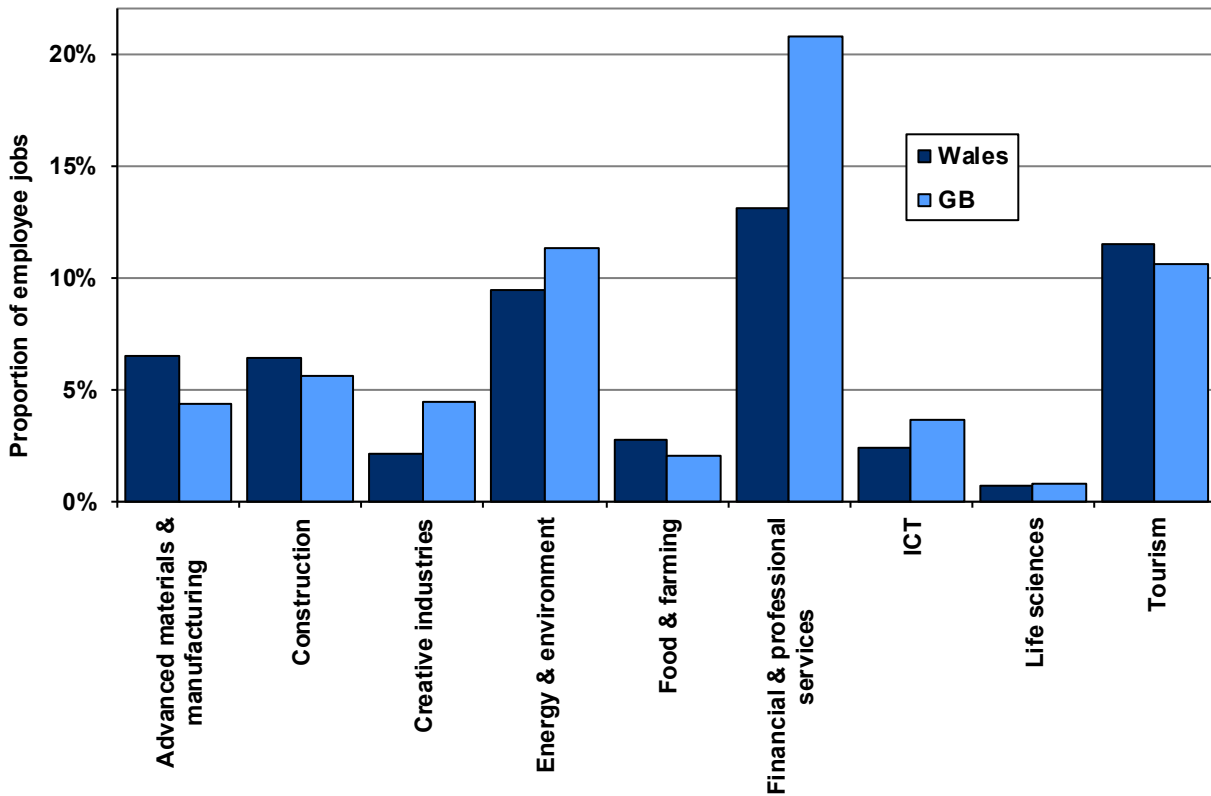
Source: Welsh Government analysis of Inter-Departmental Business Register (IDBR), ONS

Note: Size band relates to the number of employees in the enterprise

In 2017

- The structure of registered enterprises varied greatly between the priority sectors; 82 per cent of employees in the Construction sector were in SMEs, compared with 43 per cent in the Advanced Materials & Manufacturing sector and 40 per cent for the whole economy in Wales.
- Tourism and Life Sciences had the smallest percentage of employees in the zero employee size-band (both 1 per cent) whilst the Creative Industries sector had the largest (12 per cent). The whole economy had 2 per cent of employees in the zero size band.
- 56 per cent of employees working in a priority sector were in SMEs compared with 29 per cent of employees not working in a priority sector.

Chart 5: Proportion of employee jobs by sector in Wales and GB, 2016



Source: Welsh Government analysis of Business Register Employment Survey

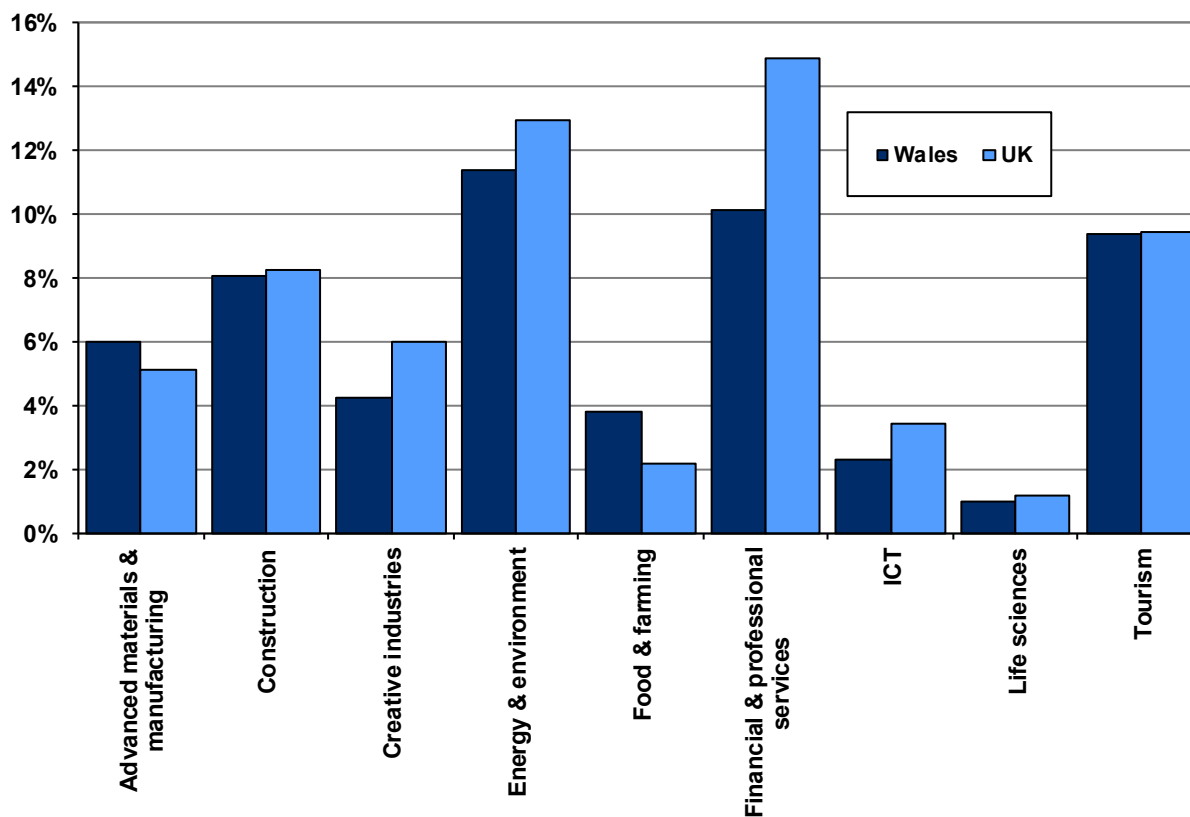
In 2016

- The priority sector with the largest number of employee jobs was the Financial & Professional Services sector (164,000). The sector with the smallest number was the Life Sciences sector with 8,900.
- Compared with Great Britain, Wales had a greater proportion of employees in Advanced Materials & Manufacturing, Construction, Food & Farming and Tourism. Wales had broadly the same proportion in Life Sciences as Great Britain, but a smaller proportion in all other sectors – most notably Financial & Professional Services (21 per cent in Great Britain compared with 13 per cent in Wales).
- Overall the priority sectors accounted for 45 per cent of employee jobs in Wales.

Section 3: Employment

This section contains employment data from the Annual Population Survey. Employment differs slightly to employees as it also includes those that are self-employed and the enterprise owners.

Chart 6: Proportion of employment in Wales and the UK by priority sector, 2017

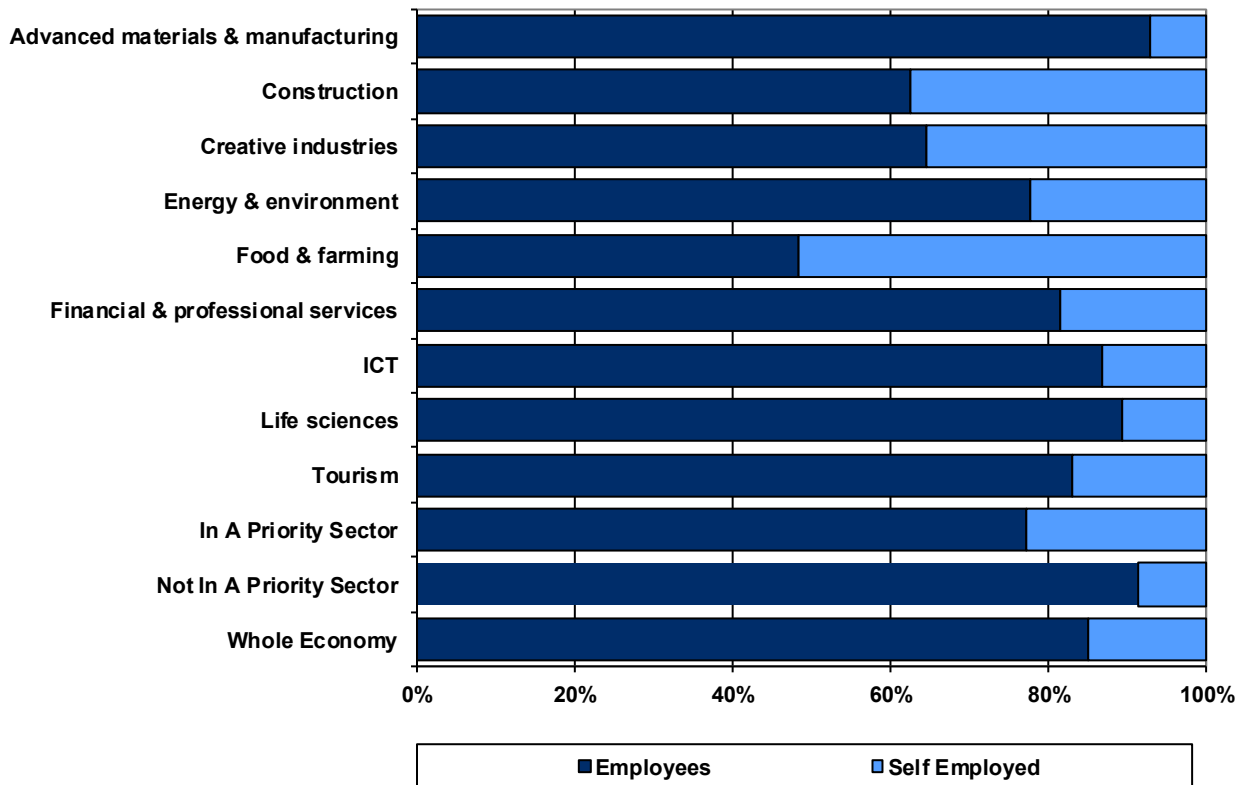


Source: Welsh Government analysis of Annual Population Survey (APS), ONS

In 2017

- The priority sectors accounted for 44 per cent of employment in Wales.
- 11 per cent (155,000) of employment in Wales was in the Energy & Environment sector, compared to 1 per cent (13,500) for the Life Sciences sector.
- In terms of employment, Wales had a greater proportion than the UK in the Advanced Materials & Manufacturing and Food & Farming sectors. Wales had broadly the same proportion as the UK in the Construction, Life Sciences and Tourism sectors, whilst all other sectors had a lower proportion than the UK – most notably Financial & Professional Services (15% in the UK and 10% in Wales).

Chart 7: Employment status in Wales, 2017



Source: Welsh Government analysis of Annual Population Survey (APS), ONS

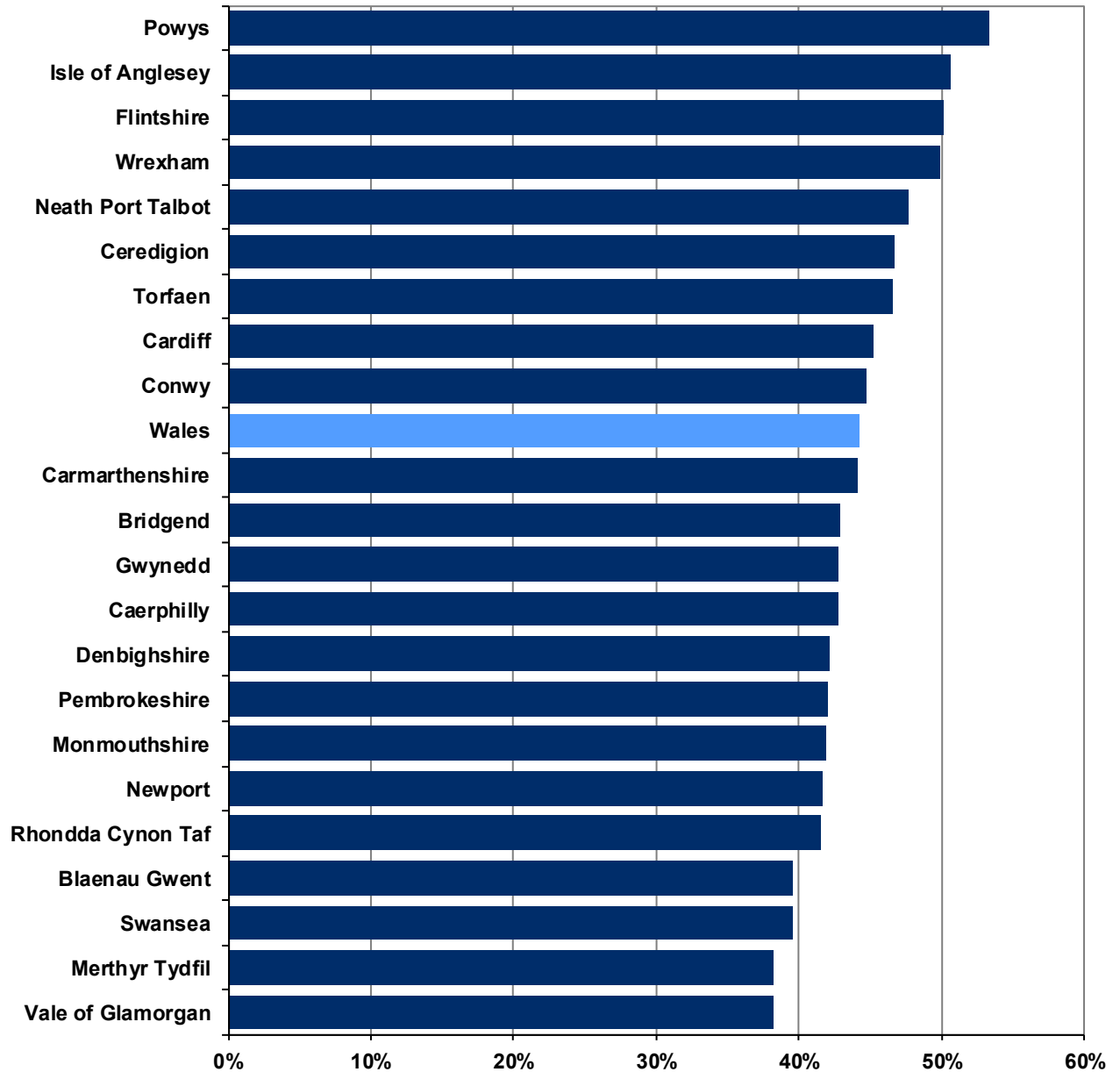
In 2017

- Food & Farming had the highest proportion of self-employment at 49 per cent, followed by Construction (37 per cent) and Creative industries (35 per cent). The smallest proportion was in Advanced Materials & Manufacturing (7 per cent). The proportion of self-employment for the whole economy in Wales was 15 per cent.
- Overall, self-employment was more common amongst people who work in priority sectors (23 per cent) than those who are not in a priority sector (9 per cent). Advanced Materials & Manufacturing was the only sector with a lower proportion of self-employment than those not in a priority sector.

Sub-Wales analysis

This section contains sub-Wales level data from the APS. It is included to allow users to examine the local area mapping of the sectors.

Chart 8: Proportion of employment in a Priority Sector by Welsh local authority, 2017



Source: Welsh Government analysis of Annual Population Survey (APS), ONS

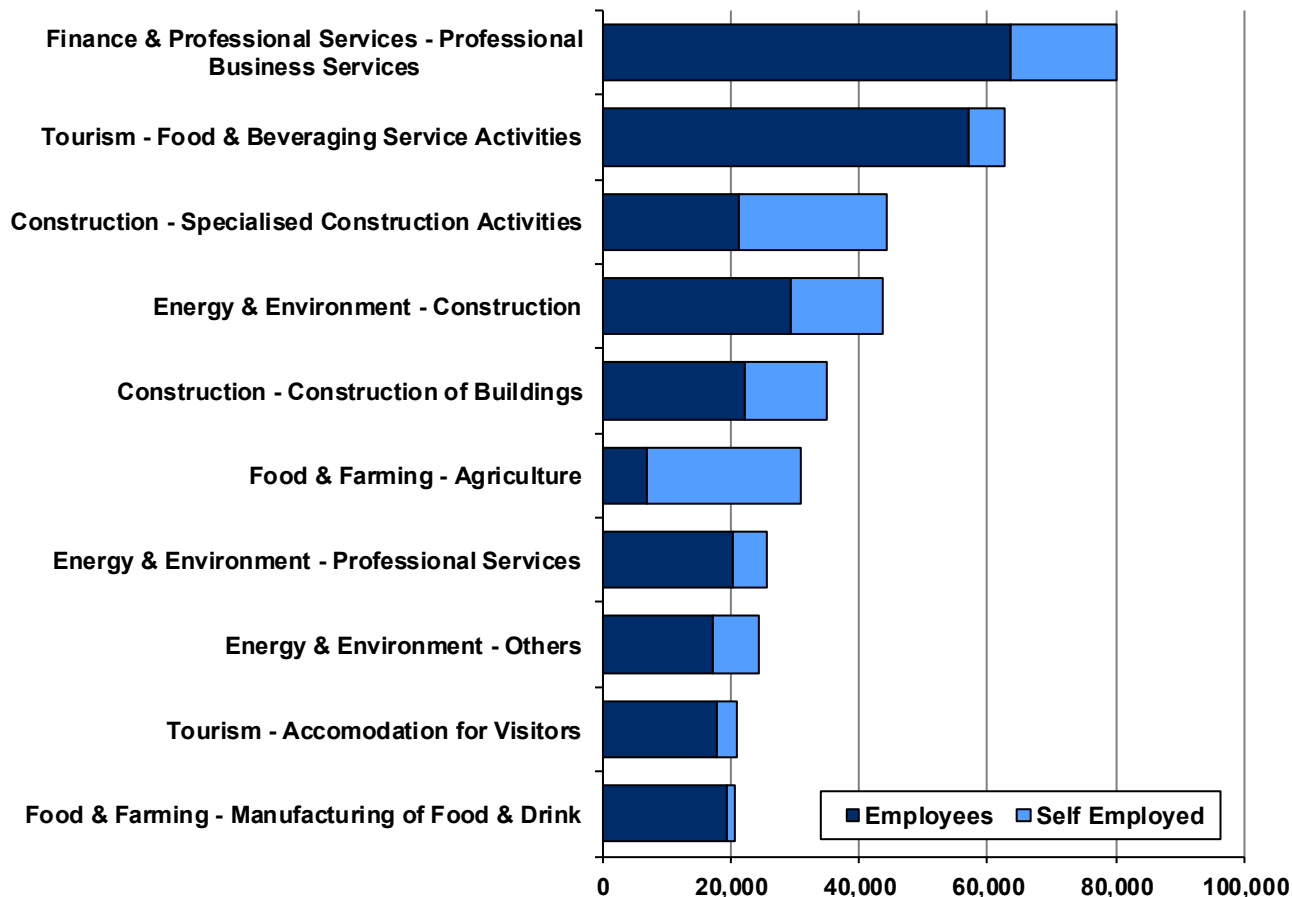
In 2017

- The local authority with the greatest proportion of employment in the priority sectors was Powys (53 per cent), whilst the lowest was the Vale of Glamorgan (38 per cent).
- The overall Welsh average was 44 per cent. Nine local authorities had a greater proportion of employment in a priority sector than the Welsh average, whilst 13 had a lower proportion.

Sub-sector analysis

This section contains an example of sub-sector data. These sub-sector statistics have been produced to assist the sector team and panels in understanding, monitoring and benchmarking their sectors.

Chart 9: Employment in the largest 10 sub-sectors, Wales, 2017



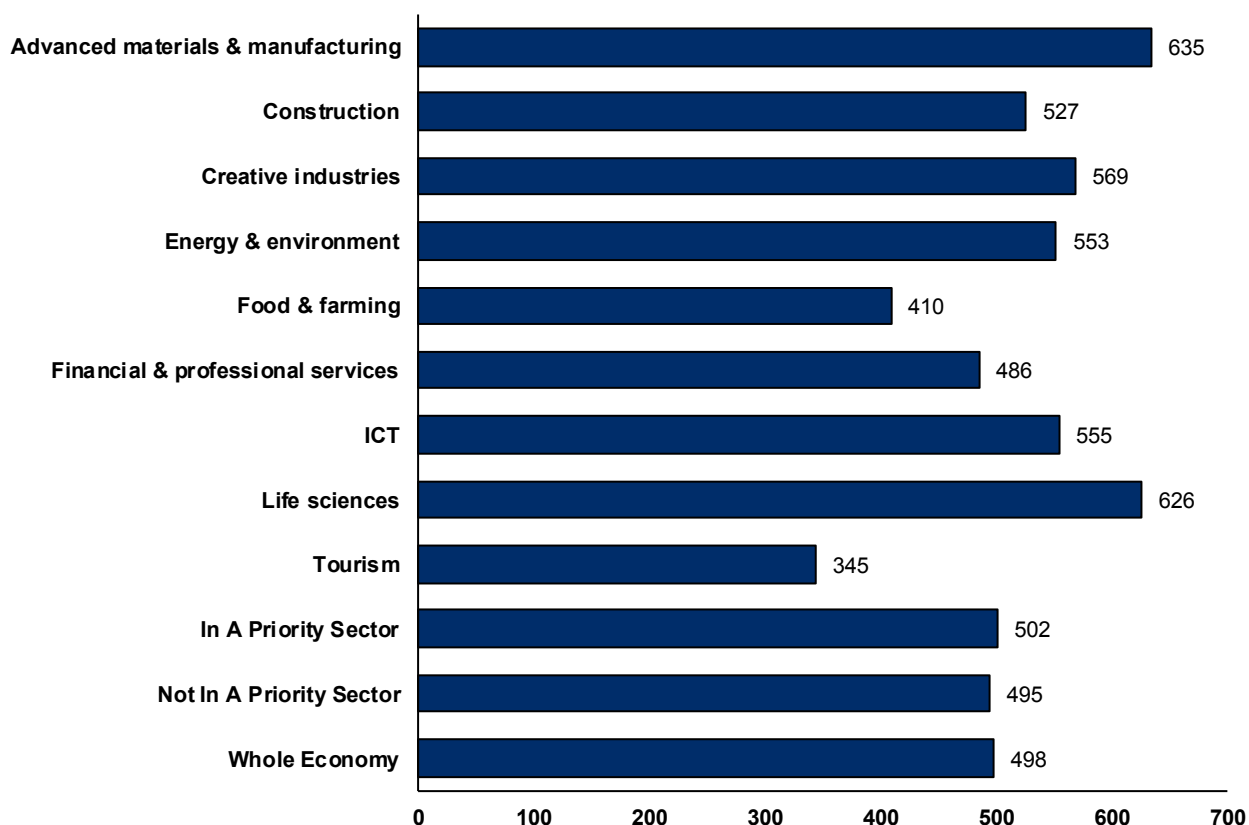
Source: Welsh Government analysis of Annual Population Survey (APS), ONS

In 2017

- The largest priority sub-sector was in the Finance & Professional Services sector with 80,200 people working in the Professional Business Services sub-sector.
- Of the top 10, the largest number of self-employed workers was in the Food and Farming sub-sector of Agriculture (23,900), which equates to 78% of those working in the sub sector.
- In terms of employment, three of the top 10 sub-sectors were from Energy & Environment, two were from Tourism, two from Construction, two from Food & Farming and one from Finance & Professional Services.
- It is important to note that these sub-sectors are defined by the sectors themselves and may not map to standard definitions of sectors and sub-sectors.

Section 4: Earnings

Chart 10: Average (median) full-time gross weekly earnings in Wales, 2017 (£)



Source: Welsh Government analysis of Annual Survey of Hours and Earnings (ASHE), ONS

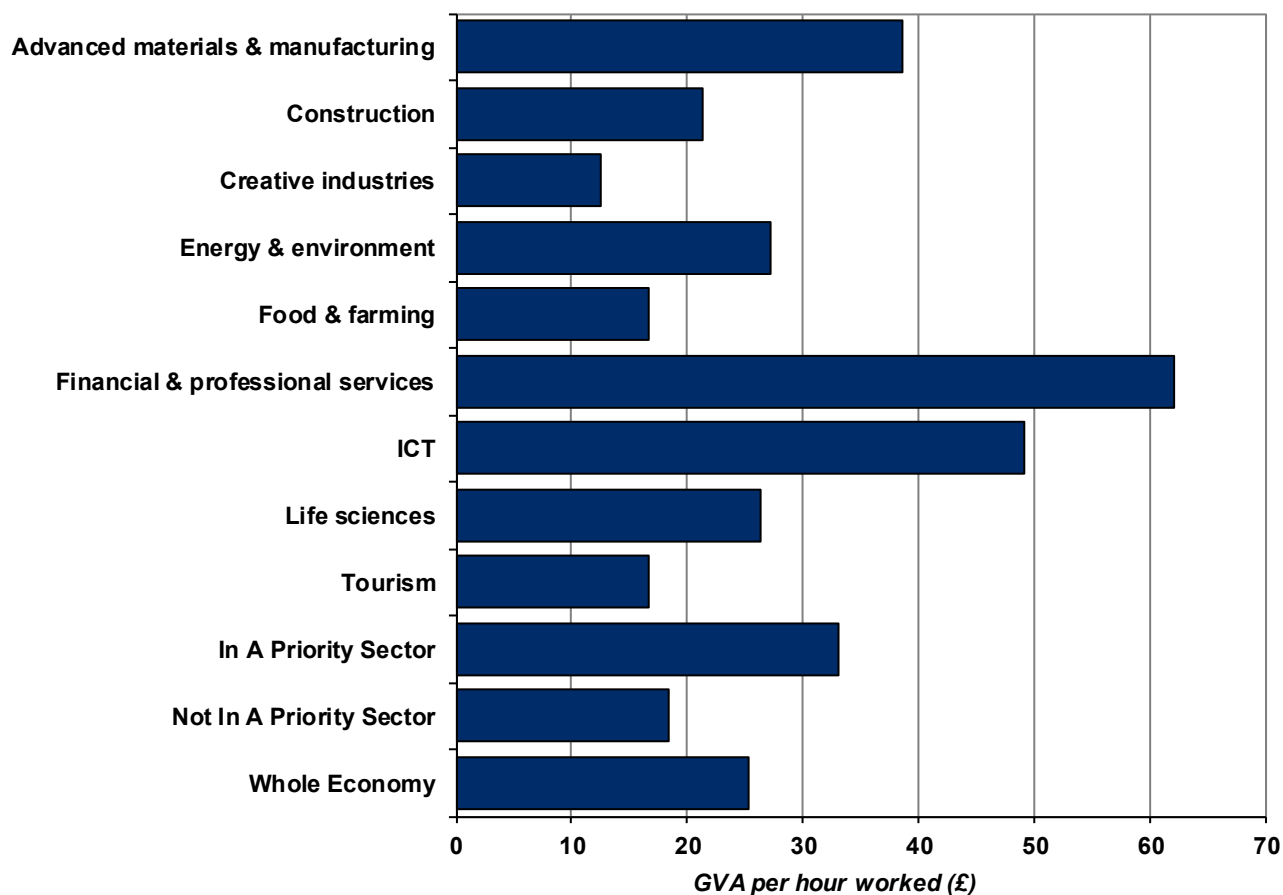
In 2017

- Median full-time gross weekly earnings for employees in the priority sectors were slightly higher than those in non-priority sectors in Wales (£502 vs. £495).
- The sector with the highest full-time weekly earnings was the Advanced materials & manufacturing sector (£635) while the lowest earnings were in the Tourism sector (£345). The median full time weekly earnings for the whole economy in Wales was £498.
- The data on part-time gross weekly earnings can be volatile and they are regarded to be too unreliable to publish.

Section 5: Gross Value Added Data – Wales

This section contains data from three different sources which have been used to construct Gross Value Added (GVA) estimates for the priority sectors. Users should read the limitations of these estimates and note a change to the methodology which is detailed in Annex B.

Chart 11: Gross Value Added (GVA) per hour worked in Wales, 2016



Source: Welsh Government analysis of Regional Accounts, ABS and the APS, ONS

In 2016:

- GVA per hour worked was higher in the priority sectors than for the non-priority sectors in Wales (£33 per hour vs. £18 per hour). For Wales as a whole, the figure was £25 per hour.
- The priority sectors with the highest GVA per hour worked were Financial & Professional Services (£62 per hour) and ICT (£49 per hour).
- Creative Industries had the lowest GVA per hour worked at £13 per hour followed by Food & Farming (£17 per hour).

Key quality information

Relevance

Six priority sectors were identified in “Economic Renewal: a new direction” by the Department for the Economy & Transport in July 2010 and three additional priority sectors were announced in September 2011. The policy pages can be found at:

The [Welsh Government policy pages](#) for the priority sectors provide more detail on the sectors

The purpose of publication of these statistics is to assist the priority sector panels, sector teams in ES&T and the wider public by providing information on the priority sectors which could be used for benchmarking and monitoring and outlines what official statistics are currently available.

Accuracy

Timeliness and punctuality

Data in this bulletin are subject to revision from either revisions to the data sources or revisions to the definitions. Many of the datasets used in this release revise previous years' data when new data are released, however in most instances those revisions are small.

Accessibility and clarity

Alongside this release a series of web tables containing data on the nine priority sectors, as well as sub-sector and sub-Wales analysis, have been published.

To produce estimates for the priority sectors, data are required to be available at a 4 digit Standard Industrial Classification (SIC) level. This bulletin includes those data sources where 4 digit data are readily available to us. The time periods selected in this bulletin have been based on availability of both Wales and UK data. More detail on SIC can be found in the Notes section under “Industrial Classification”.

The priority sector definitions in this bulletin should be regarded as final. All official statistics on the priority sectors are based on these definitions. Users are reminded that there is overlap between the sectors, with some industry codes appearing in multiple sectors. Therefore the totals shown for those industries in a priority sector will not equal the sum of the individual sectors due to the overlap. This makes the definitions and derived data fit-for-purpose, but adds complexity to the presentation.

It should also be noted that the final sector definitions are defined to only include the direct impact of the sector. Whilst the SIC provides a robust and consistent method for measuring statistical activity, it does not map well to some specific areas such as ‘green jobs’, ‘low carbon’, and ‘digital economy’ as the level of SIC is not detailed enough to separate out these activities fully.

Within the bulletin, all of the statistics are typically based on the main activity of the business or the business in which the individual works. For example a dairy farm which also makes ice cream on site is likely to be classified as a farm rather than a food manufacturer. The larger the business the more likely it is to have a secondary activity recorded. From a statistical perspective using the main activity allows each business to be treated the same and allows consistency across time and

across industries. However some users will be interested in secondary (and further) activities of businesses or individuals.

The data contained in this bulletin is largely based on sample surveys (the IDBR and Business Demography are based on administrative sources).

1. Those data which are based on statistical samples are subject to sampling variability. If many samples were drawn, each would give slightly different results.
2. The IDBR and business demography data are based on administrative data, mainly from VAT data from HMRC, information from Companies House and Dun and Bradstreet. The IDBR and Business Demography data only covers those businesses registered for VAT or PAYE, so sole traders below the VAT threshold will not be included (unless they have registered voluntarily).

All data in this bulletin are on a workplace basis. This means that all data record information on where people work as opposed to where people live (on a residence basis).

Users should note that whilst exports for goods data for Wales exist, they cover goods only and are based at best on a 2-digit Standard industrial trade classification (SITC) level. The ONS have produced an experimental estimate of [Service exports by region](#), these statistics are only currently available by SIC categories. This means that they cannot be included in the bulletin as the service sector would be excluded and the remainder could not be allocated to the sectors in line with the sector definitions.

Due to either small sample sizes or to avoid the disclosure of personal or commercial data, some estimates have been suppressed. These are denoted with a '*'. Users should note that percentages shown in the bulletin have been calculated using unrounded data which may differ slightly from percentages calculated using rounded estimates.

Data sources used

The table below shows the data sources used in the bulletin and provides some guidance on when to use each. More information is given in the main sectors spreadsheet on each data source.

Table A: Data sources used

Dataset Name	Data Coverage	Usage
Annual Survey of Hours and Earnings (ASHE)	Data available on a SIC2003 basis until 2009; whilst data on a SIC2007 basis available from 2008 onwards. The data relates to employees only. As it is a sample based survey estimates can be volatile where the sample sizes are small.	Mean and Median Earnings statistics. For gender analysis hourly earnings excluding over-time should be used.
Inter-Departmental Business Register (IDBR)	Data has been dual coded since 2008 on both a SIC2003 and SIC2007 basis, prior to 2008 data is on a SIC2003 basis only. Data relates to businesses that are active in Wales and covers those which are registered either for VAT or PAYE.	Number of registered businesses by size-band. Employee numbers should only be used for size-band analysis (e.g. numbers in SMEs).
Annual Population Survey (APS)	Data for the period to 2008 is available on a SIC2003 basis only and for 2009 onwards on a SIC2007 basis only. As it is a sample based survey estimates can be volatile where the sample sizes are small.	APS data include the self-employed, however as respondents self-classify themselves to an industry sector the quality of the employee data is lower than other sources. Therefore for total employment or self-employment the APS should be used, for employees only BRES should be used.
Business Demography	Data for the period to 2007 is available on a SIC2003 basis and for 2008 onwards on a SIC2007 basis only. Data relates to VAT or PAYE registered businesses only and excludes Agriculture, Central Government, Local Government and Managed Service Companies.	Estimates of business start-ups and closures.
Gross Value Added (GVA)	These data have been constructed using the Annual Business Survey, APS and Regional Accounts. Data are on a SIC2003 basis to 2008 and on a SIC2007 basis from 2009 onwards. For more information on the methodology please see the GVA section of the article in Annex A.	Provides estimates of output by sector and output per hour worked. As the methodology is experimental the estimates should be used as a guide.
Business Register and Employment Survey (BRES)	Data available on a SIC2003 basis until 2008; whilst data on a SIC2007 basis available from 2009 onwards. The data in this article relates to employees only. Data not available for Northern Ireland.	BRES is the most appropriate source when looking at employee jobs by industry. However farms are excluded at a LA level.

Comparability and coherence

As the nine priority sectors were developed by Welsh Government, the definitions may be different to similar statistics produced by other UK countries and therefore, are not directly comparable.

The definition of the Financial & Professional Services sector was updated in 2016 to better align the SIC codes with industry interpretations.

The definition for the Creative Industries sector was changed in the 2014 bulletin to match the most up-to-date definition produced by the Department for Culture, Media and Sport (DCMS) and ensured a consistent approach between Wales and England. Further information can be found in the published [DCMS Creative Industries economic estimates](#). Due to some differences in data sources, the estimates shown here for the UK should only be used to compare against Wales. The official UK estimates remain those produced by DCMS.

The definitions used for the Tourism sectors are based on the UN World Tourism Organisation definition, which is endorsed by the Tourism Intelligence Unit in the Office for National Statistics (ONS). Like the ONS, we have excluded industry codes 68209 and 68320 and included codes 79110, 79120, 79901 and 79909. As the mapping for the priority sectors is at a four digit level, we have approximated the five digit codes to four digits (using proportional mapping). For this reason the estimates shown here for the UK should only be used to compare against Wales as the official estimates are produced by the ONS. More information can be found at the [ONS website](#).

Well-being of Future Generations Act (WFG)

The Well-being of Future Generations Act 2015 is about improving the social, economic, environmental and cultural well-being of Wales. The Act puts in place seven well-being goals for Wales. These are for a more equal, prosperous, resilient, healthier and globally responsible Wales, with cohesive communities and a vibrant culture and thriving Welsh language. Under section (10)(1) of the Act, the Welsh Ministers must (a) publish indicators (“national indicators”) that must be applied for the purpose of measuring progress towards the achievement of the Well-being goals, and (b) lay a copy of the national indicators before the National Assembly. The 46 national indicators were laid in March 2016.

Information on indicators and associated technical information - [How do you measure a nation's progress? - National Indicators](#)

Further information on the [Well-being of Future Generations \(Wales\) Act 2015](#).

The statistics included in this release could also provide supporting narrative to the national indicators and be used by public services boards in relation to their local well-being assessments and local well-being plans.

Further details

The Statistical bulletin and associated web tables are available on the Welsh Government Internet site at:

<http://gov.wales/statistics-and-research/priority-sector-statistics>

Next update

To be confirmed

We want your feedback

We welcome any feedback on any aspect of these statistics which can be provided by email to economic.stats@gov.wales.

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Annex A: Standard Industrial Classification

In 2008 statistics produced by Government departments in the UK began to move from the old Standard Industrial Classification (SIC2003) to the new industrial classification (SIC2007). This has meant that a mapping for the priority sectors has been drawn up under both SIC2003 and SIC2007. Annex A of the Priority Sector Statistics, 2011 article provides more information on the mapping. When mapping between SIC2003 and SIC2007 there is not a 1-1 mapping, meaning that businesses which fell under one classification previously may not all fall into exactly the same category. This is a result of a better match being available under SIC 2007, as much of the service sector mapping has been expanded under SIC2007. Although it should be noted that, for example, the Inter-Departmental Business Register (IDBR) shows that the two industrial classifications give broadly the same estimates for the priority sectors, the Annual Population Survey (APS) does not. Following the 2012 release many users felt that the break in the series was unhelpful, particularly as it spanned the recession. We have undertaken a mapping exercise to convert the SIC2003 data to SIC2007 and assessed the reliability of those conversions. On the whole the conversions are reasonably accurate and on that basis we removed the discontinuity lines. We advise users to remember that the data prior to 2009 (in most cases) are based on SIC2003 which have been approximated to SIC2007.

Time series have been included in the bulletin to provide users with several years' data for analysis. Where data series are based on sample surveys or appear to be volatile, we advise that a run of years should be assessed. Although as noted above, series containing SIC changes need to be interpreted with caution.

Users should also be aware that businesses (and therefore employees) can move between sectors. The industry defined on the IDBR is based on the main activity of the business (in terms of turnover generally). If a business carries out activities that span several industries then depending on the proportion of turnover for each activity it undertakes then it may change industries over time as demand and its activity changes.

For example, if a business has 51 per cent of its business in retail, but 49 per cent in manufacturing, this business would be classified as a retail business in that year. If in the next year the business refocuses, such that manufacturing is the main activity, the business would then be reclassified to manufacturing.

For more details on SIC 2007, please see the [ONS website](#).

Annex B: Methodology used to derive Gross Value Added estimates for the priority sectors

This section describes the methodology used to derive the Gross Value Added (GVA) estimates contained in section 5.

At present the official GVA estimates for Wales are only available at a Standard Industry Classification (SIC) section level – this is too high a level to produce estimates for the priority sectors. The Annual Business Survey (ABS) produces approximate GVA estimates which are available at the four digit SIC industry level. The ABS GVA estimates are called approximate as they do not allow fully for certain types of National Accounts concepts such as taxes, subsidies or income earned-in-kind.

The ABS also does not cover the whole economy, it excludes the public sector, agriculture (SIC2007 groups 01.1, 01.2, 01.3, 01.4 and 01.5) and financial intermediation (64, 65.3, 66). For those industries not fully covered by the ABS, employment shares from the Annual Population Survey (APS) are used in the GVA derived for this bulletin. Industry T ('Activities of Households') is not included in this method.

Further, to avoid the confusion of the totals not matching the official GVA estimates, this method constrains the estimates to the official GVA totals by SIC section. As 'Activities of Households' are not covered by this method, the overall totals will differ slightly.

To derive GVA estimates for the priority sectors the following method was used:

1. For each 4 digit SIC, calculate the proportion of GVA within the SIC section using the ABS. For example, what proportion did SIC2007 4 digit code "6312 – Web Portals" account for within its SIC section J – Information and Communication using ABS GVA. Similarly calculate the proportion of employment in each 4 digit SIC within the SIC section from the APS.
2. For those industries not covered fully by the ABS then take the employment proportion, otherwise take the GVA proportion.
3. Multiply that proportion by the regional accounts GVA SIC section total.
4. Sum across the four digits to arrive at sectoral totals.

Although this method provides estimates of priority sector GVA, it is intended to give a guide to the size of the sectors and should be regarded as an experimental series.

The hours worked data are produced from the APS. It is known that industry information given by employees is less robust than that obtained via business surveys. Users are reminded that the official GVA per hour worked series for Wales (and sub-Wales) and the UK are produced by the ONS¹ and that the estimates in this release are produced for the purposes of comparisons to the priority sectors.

[More information on the Annual Business Survey.](#)

The [headline GVA series](#) can be found on the ONS website.

¹ [Labour productivity, UK Statistical bulletins](#) and [Regional Economic Analysis](#)

Note

In the latest ABS release published on 21 July 2016, ONS identified an issue with the regional ABS GVA estimates for Section R (Arts, entertainment and recreation) and in particular Division 92 (Gambling and betting activities). A change in methodology for 2012 onwards has resulted in an increase in the volatility of the estimates. More information on this change can be found at [link](#): For this reason, APS employment shares have been used to estimate GVA for the four digit SIC's within Section R in this release and accompanying web tables.